

## Message Text

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PAGE 01 GENEVA 03431 091859Z

44

ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 OMB-01 TAR-02 AGR-20

AID-20 CIAE-00 COME-00 INR-10 LAB-06 NSAE-00 OIC-04

RSC-01 SIL-01 STR-08 TRSE-00 CIEP-02 CEA-02 AF-10

ARA-16 EA-11 NEA-10 L-03 RSR-01 /178 W

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USUN NEWYORK 9124

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E.O. 11652: N/A

TAGS: ECON, UNCTAD

SUBJ: UNCTAD CIFT MEETING

REF: GENEVA 3372

BEGIN SUMMARY: GROUP B COUNTRIES HAVE BEEN UNABLE TO REACH AGREEMENT WITH G-77 COUNTRIES TO SUBSTITUTE CHAIRMAN'S REPORT OF COUNTRY VIEWS ON MONETARY REFORM FOR RESOLUTION ALONG THE LINES OF INDIA STATEMENT TO JULY 4 PLENARY. PAKISTANI DEL IN JULY 6 SPEECH TO PLENARY SUGGESTED SPECIFIC GUIDELINES FOR HANDLING DEBT PROBLEMS OF DEVELOPING COUNTRIES WHICH, PRESUMABLY, WOULD FOCUS EFFORTS OF INTERGOVERNMENTAL GROUP CALLED FOR IN RESOLUTION FROM TDB. GROUP B COUNTRIES ARE TRYING TO FORMULATE TERMS OF REFERENCE FOR INTERGOVERNMENTAL GROUP WHICH WOULD CIRCUMSCRIBE ITS MANDATE AND ITS LIFE. END SUMMARY

1. EFFORTS OF GROUP B COUNTRIES TO CONVINCE GROUP OF 77 THAT A CHAIRMAN'S REPORT SUMMING UP VIEWS OF COUNTRIES OR GROUPS ON MONETARY REFORM WOULD SERVE THEIR INTERESTS  
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PAGE 02 GENEVA 03431 091859Z

BETTER THAN RESOLUTION CONTAINING POINTS UNACCEPTABLE TO

MANY COUNTRIES HAVE APPARENTLY FAILED INDIAN DEL WHO WAS APPROACHED BY GROUP B CHAIRMAN AND OTHER GROUP B DELS CLAIMS HE HAD FAVORABLE PRESENTATION OF DC CASE TO G-77, HOWEVER MANY FELT RESOLUTION WAS NECESSARY. G-77 WILL BE TRYING TO FORGE A RESOLUTION THIS WEEKEND USING INDIA STATEMENT AND DRAFT LA GROUP HAS FORMULATED. FEELING IS THAT COMPROMISE RESOLUTION WILL BE FAIRLY DELICATE HENCE DIFFICULT TO NEGOTIATE WITH GROUP B.

2. CIFT MEETING OF JULY 5 LED OFF BY LONG SOVIET HARANGUE AGAINST IMF ("TOOL OF THE LARGEST WESTERN POWERS"), SPECULATORS (INTERNATIONAL COMPANIES AND BANKS), AND SDR-BASED SYSTEM. SUBSTANTIAL PORTION OF SPEECH DEVOTED TO CRITICISM OF ATTEMPTS TO DEMONETISE GOLD WHICH COULD LEAD TO CRACKING UP OF INTERNATIONAL MONETARY SYSTEM. HOWEVER, SINCE SDRS EXIST, LDCS SHOULD DERIVE THEIR SHARE OF THE BENEFITS, WHICH ONLY POSSIBLE IF POWER TO RECOMMEND CHANGES IN INTERNATIONAL MONETARY SYSTEM MOVED FROM UNDEMOCRATIC IMF TO DEMOCRATIC UNCTAD.

2. LDC SPEAKERS (YUGOSLAVIA, PHILIPPINES, EGYPT, SRI LANKA, VENEZUELA AND MEXICO) MOSTLY REITERATED POINTS IN INDIA STATEMENT, ESPECIALLY AS REGARDS THEIR EXCLUSION FROM PARTICIPATION IN EXCHANGE RATE DECISIONS, THE NEED FOR STABLE EXCHANGE RATES, AND THE DESIRABILITY OF AN SDR LINK. YUGOSLAVIA COMPLAINED THAT THE BURDEN OF ADJUSTMENT SHOULD NOT FALL ON THE LDCS. SRI LANKA URGED GROUP B COUNTRIES TO CHANGE MINDS ABOUT RESOLUTION AND REMINDED EUROPEAN MEMBERS THEY WERE ONLY AS WELL OFF AS THEY ARE AS A RESULT OF AID (MARSHALL PLAN) ON A SCALE NEVER MADE AVAILABLE TO LDCS.

3. GROUP B SPEAKERS (FRANCE, UK, CANADA, FRG, US) MADE PITCH THAT RESOLUTION COULD NOT PROPERLY GO BEYOND WHAT WAS CONTAINED IN MARCH C-20 MINISTERIAL COMMUNIQUE AND THAT THEIR DELS LACKED AUTHORITY TO NEGOTIATE MONETARY ISSUES IN THIS FORUM. UK, CANADA AND FRG EXPRESSED RESERVATIONS --IN VARYING DEGREES-- AS TO WHETHER LIQUIDITY NEEDS OF SYSTEM COULD BE COMPATIBLE WITH A REGULAR TRANSFER OF DEVELOPMENT RESOURCES VIA SDR LINK, AS INDIA STATEMENT LIMITED OFFICIAL USE

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PAGE 03 GENEVA 03431 091859Z

HAD SUGGESTED AS FEASIBLE WHILE FAVORING LINK CONCEPT, FRANCE URGED A CAREFUL STUDY OF TECHNICAL CONSIDERATIONS INVOLVED IN ISSUANCE OF DR (RELATION TO GOLD, RATE OF INTEREST, ETC.) AND ADOPTION OF A SPECIFIC LINK CONCEPT. THOUGH NOT HIS GOVT'S FIRST STATEMENT ON ISSUE, FRENCH DEL THOUGHT DIRECT ALLOCATION SIMPLEST AND FAIREST SINCE OTHER SCHEMES INVOLVED TRICKY DISTRIBUTION PROBLEMS. US ENDORSED MOST OF RESERVATIONS EXPRESSED

BY TOHER GROUP B COUNTRIES, SAID IT INAPPROPRIATE TO PREJUDGE THE C-20 DELIERATIONS WITH CIFT RESOLUTION, AND WARNED IT UNLIKELY US COULD SUPPORT ANY RESOLUTION.

4. SIDNEY DELL LED OFF DEBT DISCUSSION WITH STATEMENT SUMMARIZING THE ISSUES AND DEFENDING NEED FOR AN INTER-GOVERNMENTAL GROUP. PAK DEL SPEAKING ON BEHALF OF ASIA GROUP, SUGGESTED SPECIFIC GUIDELINES (CONTROLS ON DEBT-SERVICING LIABILITIS, RIGHT OF EACH COUNTRY TO A CERTAIN GRANT ELEMENT IN ITS TOTAL ASSISTANCE, DONOR COUNTRY CONTRIBUTIONS TO SPECIAL FUND TO SUBSIDIZE INTEREST RATES ON COMMERCIAL CREDITS, ETC.) FOR DEBT RESCHEDULING. INDIA SUPPORTED PAK PROPOSALS AND ADDED ITS OWN--NAMELY, ACCEPTANCE OF BISQUE CLAUSE IN LOANS AND SEALING DOWN OF DEBT BURDEN IN CONSIDERATION OF LOSSES LDCS HAVE SUSTAINED AS RESULT OF TIED AID. JAPAN, THE ONLY DC SPEAKING FRIDAY ON ISSUE, MADE A RATHER NEGATIVE STATEMENT FAVORING ON THE ONE HAND CASE-BY-CASE APPROACH AND SUPPORTING ON THE OTHER HAND FURTHER SECRETARIAT STUDIES.

5. AT JULY 6 GROUP B MEETING, DCS WERE OF VIEW THAT INTERGOVERNMENTAL GROU USING PAK STATEMENT AS ITS TERMS OF REFERENCE WOULD OPERATE FAR BEYOND BOUNDS ACCEPTABLE TO DC (E.G., UNTYING OF AID) AND WOULD NOT LIKELY COME UP WITH ANYTHING USEFUL. IT WAS AGREED THAT SMALL DRAFTING GROUP (ITALY, FRANCE, FRG, AND UK VOLUNTEERED) SHOULD TRY TO DEVELOP TERMS OF REFERENCE FOR INTER-GOVERNMENTAL GROUP WHICH WOULD CONSTRAIN ITS MANDATE AND PROVIDE FOR ITS EARLY TERMINATION. WE DECIDED NOT TO PARTICIPATE SO AS TO KEEP FREEDOM OF ACTION WITH RESPECT DEBATE AND AMENDED RESOLUTION ON THIS ISSUE.BASSIN

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